

COPY
CHRON**DEPARTMENT OF TRANSPORTATION****AUDITS AND INVESTIGATIONS**

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October 21, 2008

Ronald E. Brummett, Executive Director
Kern Council of Governments
1401 19th Street, Suite 300
Bakersfield, CA 93301

Re: Kern Council of Governments
Audit of Indirect Cost Allocation Plan for FY 2008/2009
File No: P1190-0700

Dear Mr. Brummett:

We have audited the Kern Council of Government's (KCOG) Indirect Cost Allocation Plan (ICAP) for the fiscal year ended June 30, 2009 to determine whether the ICAP is presented in accordance with Title 2 of the Code of Federal Regulations, Part 225 (2 CFR 225 formerly Office of Management and Budget (OMB) Circular A-87) and the Department of Transportation's Local Programs Procedures (LPP) 04-10. KCOG management is responsible for the fair presentation of the ICAP. KCOG's proposed an indirect cost rate of 83.3% of total direct salaries and wages plus fringe benefits.

Our audit was conducted in accordance with the Standards for Performance Audits set forth in the *Government Auditing Standards* issued by the Comptroller General of the United States of America. The audit was less in scope than an audit performed for the purpose of expressing an opinion on the financial statements of KCOG. Therefore, we did not audit and are not expressing an opinion on the KCOG's financial statements.

The standards require that we plan and perform the audit to obtain reasonable assurance about whether the data and records reviewed are free of material misstatement, as well as material noncompliance with fiscal provisions relative to the ICAP. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the data and records reviewed. An audit also includes assessing the accounting principles used and significant estimates made by KCOG, as well as evaluating the overall presentation.

The accompanying ICAP was prepared on a basis of accounting practices prescribed in the 2 CFR 225 and the Department of Transportation's (Department) LPP 04-10, and is not intended to present the results of operations of KCOG in conformity with generally accepted accounting principles.

The scope of the audit was limited to select financial and compliance activities. The audit consisted of a recalculation of the ICAP, a limited review of KCOG's Overall Work Program for fiscal year 08/09. A review of KCOG's single audit report for the fiscal year ended June 30, 2007, inquiries of KCOG personnel and reliance placed on the single audit report for the fiscal year ended June 30, 2007 and prior audit field work performed by the Department in October 2005. We believe that our audit provides a reasonable basis for our conclusion.

Because of inherent limitations in any financial management system, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the financial management system to future periods are subject to the risk that the financial management system may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

AUDIT RESULTS

Based on audit work performed, KCOG's ICAP for the fiscal year ended June 30, 2009 is presented in accordance with 2 CFR 225 and LPP 04-10. The approved indirect cost rate is 83.3% of total direct salaries and wages, plus fringe benefits. The approval is based on the understanding that a carry-forward provision applies and no adjustment will be made to previously approved rates.

This report is intended solely for the information of KCOG, Department Management, the California Transportation Commission and the Federal Highway Administration (FHWA). However, this report is a matter of public record and its distribution is not limited.

Please retain the approved Indirect Cost Allocation Plan for your files. Copies were sent to the Department's District 6, the Department's Division of Accounting and the FHWA. If you have any questions, please contact Lisa Moreno, Auditor at (916) 323-7885 or Amada Maenpaa, Audit Supervisor, at (916) 323-7868.


MARYANN CAMPBELL-SMITH
Chief External Audits

Attachments

c: James Pernault, District 6
Gary Buckhammer, HQ Accounting
Brenda Bryant, FHWA
Andrew Knapp, HQ Planning
Carol McDonald, District 6 Planning
Sue Kaiser, FHWA

Kern Council of Governments Indirect Cost Plan

The indirect cost rate contained herein is for use on grants, contracts and other agreements with the Federal Government and California Department of Transportation (Caltrans), subject to the conditions in Section II. This plan was prepared by the *Kern council of Governments* and approved by Caltrans.

SECTION I: Rates

<u>Rate Type</u>	<u>Effective Period</u>	<u>Rate*</u>	<u>Applicable To</u>
Fixed with carry forward	7/1/08 to 6/30/09	83.3%	All Programs

*Base: Total Direct Salaries and Wages plus fringe benefits

SECTION II: General Provisions

A. Limitations:

The rates in this Agreement are subject to any statutory or administrative limitations and apply to a given grant, contract, or other agreement only to the extent that funds are available. Acceptance of the rates is subject to the following conditions: (1) Only costs incurred by the organization were included in its indirect cost pool as finally accepted: such costs are legal obligations of the organization and are allowable under the governing cost principles; (2) The same costs that have been treated as indirect costs are not claimed as direct costs; (3) Similar types of costs have been accorded consistent accounting treatment; and (4) The information provided by the organization which was used to establish the rates is not later found to be materially incomplete or inaccurate by the Federal Government or Caltrans. In such situations the rate(s) would be subject to renegotiations at the discretion of the Federal Government or Caltrans; (5) Prior actual costs used in the calculation of the approved rate are contained in the grantee's Single Audit, which was prepared in accordance with OMB Circular A-133. If a Single Audit is not required to be performed, then audited financial statements should be used to support the prior actual costs; and, (6) The estimated costs used in the calculation of the approved rate are from the grantee's approved budget in effect at the time of approval of this plan.

B. Accounting Changes:

This Agreement is based on the accounting system purported by the organization to be in effect during the Agreement period. Changes to the method of accounting for costs, which affect the amount of reimbursement resulting from the use of this Agreement, require prior approval of the authorized representative of the cognizant agency. Such changes include, but are not limited to, changes in the charging of a particular type of cost from indirect to direct. Failure to obtain approval may result in cost disallowance.

C. Fixed Rate with Carry Forward:

The fixed rate used in this Agreement is based on an estimate of the costs for the period covered by the rate. When the actual costs for this period are determined either by the grantee's Single Audit or if a Single Audit is not required, then by the grantee's audited financial statements any differences between the application of the fixed rate and actual costs will result in an over or under recovery of costs. The over or under recovery will be carried forward, as an adjustment to the calculation of the indirect cost rate, to the second fiscal year subsequent to the fiscal year covered by this plan.

D. Audit Adjustments:

Immaterial adjustments resulting from the audit of information contained in this plan shall be compensated for in the subsequent indirect cost plan approved after the date of the audit adjustment. Material audit adjustments will require reimbursement from the grantee.

E. Use by Other Federal Agencies:

Authority to approve this agreement by Caltrans has been delegated by the Federal Highway Administration, California Division. The purpose of this approval is to permit subject local government to bill indirect costs to Title 23 funded projects administered by the Federal Department of Transportation (DOT). This approval does not apply to any grants, contracts, projects, or programs for which DOT is not the cognizant federal agency. The approval will also be used by Caltrans in state-only funded projects.

F. Other:

If any federal contract, grant, or other agreement is reimbursing indirect costs by a means other than the approved rate(s) in this Agreement, the organization should (1) credit such costs to the affected programs, and (2) apply the approved rate(s) to the appropriate base to identify the proper amount of indirect costs allocable to these programs.

G. Rate Calculation

FY 2009 Budgeted Indirect Costs		\$1,015,055
Carry Forward from FY 2007		\$ 4,412
Estimated FY 2009 Indirect Costs		\$1,019,467
FY 2009 Budgeted Direct Salaries and Wages plus fringe benefits		\$1,224,418
FY 2009 Indirect Cost Rate		83.3%

CERTIFICATION OF INDIRECT COSTS

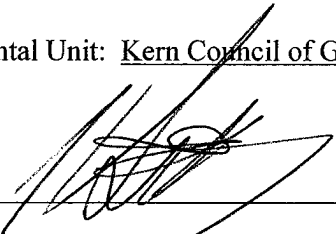
This is to certify that I have reviewed the indirect cost rate proposal submitted herewith and to the best of my knowledge and belief:

(1) All costs included in this proposal to establish billing or final indirect costs rates for fiscal year 2009 (July 1, 2008 to June 30, 2009) are allowable in accordance with the requirements of the federal and state award(s) to which they apply and OMB Circular A-87, "Cost Principles for State, Local, and Indian Tribal Governments." Unallowable costs have been adjusted for in allocating costs as indicated in the cost allocation plan.

(2) All costs included in this proposal are properly allocable to federal and state awards on the basis of a beneficial or causal relationship between the expenses incurred and the agreements to which they are allocated in accordance with applicable requirements. Further, the same costs that have been treated, as indirect costs have not been claimed as direct costs. Similar types of costs have been accounted for consistently and the Federal Government and Caltrans will be notified of any accounting changes that would affect the predetermined rate.

I declare that the foregoing is true and correct.

Governmental Unit: Kern Council of Governments

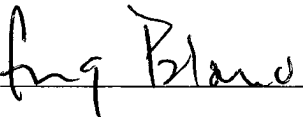
Signature: 

Reviewed, Approved and Submitted by:

Name of Official: Ronald E. Brummett

Title: Executive Director

Date of Execution: 07/14/08

Signature: 

Prepared by:

Name of Official: Gregory J. Palomo

Title: Administrative Assistant

Phone: 661-861-2191

INDIRECT COST RATE APPROVAL

The State DOT has reviewed this indirect cost plan and hereby approves the plan.


Signature

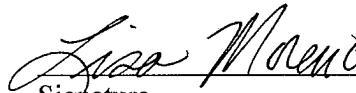
Reviewed and Approved by:
(Name of Audit Manager)

Mary Ann Campbell-Smith

Title: Chief, External Audit

Date: 10/21/08

Phone Number: (916) 323-7111


Signature

Reviewed and Approved by:
(Name of auditor)

Lisa Moreno

Title: Associate Management Auditor

Date: 10/21/08

Phone Number: (916) 323-7885

Kern Council of Governments
CARRY FORWARD CALCULATION

	FY 2006	FY 2007	FY 2008		FY 2009
APPROVED RATE	86.4%	88.5%	76.7%	Approved Rate	83.3%
				(Indirect Costs/ Direct S&W+FB)	
INDIRECT CARRY FORWARD					
Carry Forward	13,593	50,022	82,500	Carry Forward	4,412
Indirect Costs from Single Audit	<u>817,040</u>	<u>885,386</u>		Estimated Indirect Costs	<u>1,015,055</u>
				(From FY09 Budget)	
				Totals Estimated Indirect Costs	<u>1,019,467</u>
Total Indirect Costs	830,633	935,408			
				Estimated Direct S&W +FB	<u>1,224,418</u>
Recovered Costs				(From FY 97 Budget)	
Direct Salaries & Wages +Fringe Benefits	865,894	1,051,973			
(* Approved Rate)	86.4%	88.5%			
Total Recovered Indirect Costs	748,133	930,996			
Indirect Carry Forward	82,500	4,412			
DIRECT SALARIES & WAGES + FRINGE BENEFITS (Per Single-Audit)					
General Fund-S&W+FB	N/A	N/A			
Special Revenue Fund-S&W_FB	930,280	993,404			
Internal Service Fund-S&W+FB	<u>N/A</u>	<u>N/A</u>			
Total Direct Salaries & Wages + Fringe Benefits	930,280	993,404			

FY 08-09 INDIRECT COST CARRYFORWARD CALCULATION FOR FY 06-07

	Actual FY 06-07	Reference	ACTUAL FY 07-08	Estimated FY 08-09	Reference
Approved ICAP Rate	88.5% FY 06-07 approved ICAP rate				
Beginning Carryforward (FY 04-05)	\$ 50,022	FY 06-07 approved ICAP		\$ 4,412	FY 06-07 carryforward **
		<i>Actual cost detail from Annual Financial Statements for fiscal year ended June 30, 2007 - page 40</i>			<i>Budgeted Indirect Costs from Financial Plan Summary approved June 19, 2008</i>
Actual Indirect Costs	\$ 885,386			\$ 1,015,055	
Total Indirect Costs	<u>\$ 935,408</u>		\$ -	<u>\$ 1,019,467</u>	
Actual Direct Salaries & Fringe Benefits	\$ 1,051,973	<i>Actual cost detail from Annual Financial Statements for fiscal year ended June 30, 2007 - page 40</i>		\$ 1,224,423	<i>Direct Salaries & Fringe Benefits from Financial Plan Summary approved June 19, 2008</i>
Approved Rate	88.5% FY 06-07 approved ICAP rate				
Recovered Indirect Costs (approved rate x actual base)	\$ 930,996				
Ending Carryforward (total indirect costs - Recovered Indirect Costs)	\$ 4,412	To FY 08-09 rate calculation		83.3% FY 08-09 Calculated ICAP Rate	(Total Indirect Costs / Actual Direct Salaries & Fringe Benefits)

* As required by 2 CFR, Part 225.55 all costs and rates identified on this page are referenced to the schedule(s) and document(s) that support the stated amount and rate.

** The costs for FY 08-09's Beginning Carryforward come from the FY 06-07 actual costs, i.e. two years prior to the ICAP year submitted. The actual direct labor costs and actual indirect costs must be supported by audited financial statements. If the audited financial statements do not provide details then the audited general ledger detail must be provided and reconciled to the audited financial and/or any schedule(s) included in the ICAP package. Any differences in the statements amounts must be fully explained. Any adjustments made to audited figures should also be fully explained (i.e. allowable costs).

Revised: June 10, 2008

Account No./Title	2005-06 Actual	2006-07 Actual	2007-08 Budget	2007-08 Estimated	2008-09 Proposed	Amendment No. 1	Amendment No. 2	Amendment No. 3	2008-09 Revised
REVENUE									
4140-Federal Grants	\$ 1,552,596	\$ 2,139,402	\$ 2,479,699	\$ 1,995,776	\$ 2,236,002				\$ 2,236,002
3955-State Grants	-	\$ 277,037	\$ 796,000	\$ 60,712	\$ 1,583,000				\$ 1,583,000
4220-Regional Planning/Admin.	\$ 875,005	\$ 668,444	\$ 1,600,614	\$ 829,545	\$ 1,167,423				\$ 1,167,423
4220-Local Contracts	\$ 5,320	\$ 46,591	\$ 221,859	\$ 38,057	\$ 223,028				\$ 223,028
5370-Miscellaneous	\$ 66,744	\$ 30,510	\$ 16,000	\$ 34,906	\$ 25,205				\$ 25,205
TOTAL REVENUE	\$ 2,299,665	\$ 3,161,984	\$ 5,114,172	\$ 2,958,996	\$ 5,234,658	\$ -	\$ -	\$ -	\$ 5,234,658
EXPENDITURES									
Personnel:									
6110-Regular Salaries & Wages	\$ 983,994	\$ 1,150,254	\$ 1,258,465	\$ 1,223,578	\$ 1,301,817				\$ 1,301,817
6200-Extra-Help Wages	\$ 6,790	\$ 35,476	\$ 43,670	\$ 15,022	\$ 27,996				\$ 27,996
6410/6600-Fringe Benefits	\$ 485,106	\$ 513,014	\$ 580,840	\$ 572,075	\$ 599,100				\$ 599,100
SUBTOTAL-PERSONNEL	\$ 1,455,890	\$ 1,698,744	\$ 1,882,975	\$ 1,810,675	\$ 1,928,913	\$ -	\$ -	\$ -	\$ 1,928,913
SUBTOTAL-7500-SUBCONTRACTOR	\$ 611,113	\$ 813,958	\$ 2,429,494	\$ 664,193	\$ 2,746,843				\$ 2,746,843
SERVICES & SUPPLIES									
6841-Communications	\$ 12,954	\$ 16,566	\$ 20,575	\$ 14,478	\$ 20,230				\$ 20,230
6900-Insurance	\$ 19,887	\$ 23,726	\$ 32,500	\$ 20,335	\$ 22,000				\$ 22,000
6970-Maintenance-Equipment	\$ 9,017	\$ 3,384	\$ 9,800	\$ 833	\$ 9,800				\$ 9,800
7001-Maintenance-Structures	\$ 245	-	\$ 1,000	-	\$ 1,000				\$ 1,000
7400-Memberships	\$ 11,784	\$ 11,332	\$ 11,800	\$ 16,011	\$ 16,047				\$ 16,047
7450-Office Supplies	\$ 62,450	\$ 67,034	\$ 89,125	\$ 72,171	\$ 77,240				\$ 77,240
7525-Data Processing	\$ 33,722	\$ 106,503	\$ 89,963	\$ 51,786	\$ 77,855				\$ 77,855
7600-Public/Legal Notices	\$ 62,076	\$ 61,467	\$ 135,490	\$ 75,681	\$ 43,875				\$ 43,875
7630-Leases-Equipment	\$ 883	\$ 1,053	\$ 1,500	\$ 2,673	\$ 2,000				\$ 2,000
7650-Leases-Structures	\$ 106,980	\$ 106,752	\$ 111,630	\$ 127,757	\$ 111,630				\$ 111,630
7700-Special Dept. Expense	\$ 875	\$ 2,525	\$ 36,297	\$ -	\$ 36,297				\$ 36,297
7730-Training & Development	\$ 2,890	\$ 1,801	\$ 12,700	\$ 1,671	\$ 12,700				\$ 12,700
7740-Travel Expenses	\$ 32,995	\$ 55,772	\$ 67,937	\$ 32,413	\$ 72,275				\$ 72,275
7750-Personal Vehicle Mileage	\$ 13,357	\$ 16,530	\$ 20,125	\$ 13,542	\$ 31,550				\$ 31,550
7970-Kern County Indirect Costs	\$ 2,125	\$ 2,824	\$ 3,000	\$ 2,318	\$ 3,000				\$ 3,000
7990-Depreciation Expense	\$ -	\$ -	\$ 21,000	\$ -	\$ 21,000				\$ 21,000
7995-Interest Expense	\$ -	\$ -	\$ -	\$ -	\$ -				\$ -
SUBTOTAL-SERVICES & SUPPLIES	\$ 372,240	\$ 477,269	\$ 664,442	\$ 431,669	\$ 558,499	\$ -	\$ -	\$ -	\$ 558,499
SUBTOTAL-8601-CAPITAL OUTLAY	\$ 18,702	\$ 35,752	\$ 94,825	\$ 25,630	\$ 67,600				\$ 67,600
TOTAL EXPENDITURES	\$ 2,457,945	\$ 3,025,723	\$ 5,071,736	\$ 2,932,167	\$ 5,301,855	\$ -	\$ -	\$ -	\$ 5,301,855
<div style="float:right;">Under/(Over) Carry Fwd. \$4,410</div>									
Depreciation Adjustment	\$ -	\$ -	\$ -	\$ -	\$ -				\$ -
OPERATING SURPLUS/(DEFICIT)	\$ (158,280)	\$ 136,261	\$ 63,436	\$ 26,829	\$ (46,197)				\$ (46,197)
Budgeted Indirect Costs \$ 1,015,055 Adjusted Indirect Costs \$ 1,019,465 Indirect Cost Rate 83.3%									

BEFORE THE KERN COUNCIL OF GOVERNMENTS
STATE OF CALIFORNIA, COUNTY OF KERN

MINUTE ORDER NO. 08-01

In the matter of:

FINAL KERN COG FY 2008-2009 FINANCIAL PLAN

I, Ronald E. Brummett, Executive Director of the Kern Council of Governments, do hereby certify that the following Minute Order proposed by Councilor Morgan and seconded by Councilor Smith was duly passed by said Council at an official meeting on the 19th day of June 2008.

AYES: Scrivner, Ramirez, Rosson, McQuiston, Morgan, Florez, Smith, Wegman

NOES: None

ABSTAIN: None

ABSENT: Tarver, Lessenevitch, Mock, Thompson, Rubio



Ronald E. Brummett,
Executive Director
Kern Council of Governments

MINUTE ORDER

ADOPT THE FINAL KERN COG FY 2008-2009 FINANCIAL PLAN